

SENATE BILL REPORT

SB 5957

As Reported by Senate Committee On:
Natural Resources, Ocean & Recreation, February 19, 2009
Ways & Means, March 2, 2009

Title: An act relating to the department of natural resources' authority to manage urban commercial lands.

Brief Description: Regarding the department of natural resources' authority for transactions involving certain commercial lands, natural resource lands, or forest lands at risk of development.

Sponsors: Senators Jacobsen and Fraser.

Brief History:

Committee Activity: Natural Resources, Ocean & Recreation: 2/16/09, 2/19/09 [DP-WM].
Ways & Means: 2/27/09, 3/02/09 [DPS, w/oRec].

SENATE COMMITTEE ON NATURAL RESOURCES, OCEAN & RECREATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Jacobsen, Chair; Ranker, Vice Chair; Morton, Ranking Minority Member; Fraser, Hargrove, Hatfield, Stevens and Swecker.

Staff: Curt Gavigan (786-7437)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5957 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pridemore, Regala and Rockefeller.

Minority Report: That it be referred without recommendation.

Signed by Senators Carrell and Schoesler.

Staff: Brian Sims (786-7431)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background: Uplands Managed by DNR. Upon its admission to the United States in 1889, the federal government provided Washington with approximately 3.2 million acres of land to support public institutions, including common schools, public buildings, and higher education. Washington has retained the majority of these granted lands and now manages about 2.25 million federally granted acres. The state also manages approximately 626,000 acres of state forest lands, beneficiaries of which include counties and junior taxing districts. The Legislature has directed the Department of Natural Resources (DNR) to manage these lands.

DNR's Commercial Lands Program. According to a 2006 evaluation of DNR's Commercial Lands Program (CLP), DNR manages 40 commercial properties with a total appraised property value of about \$152 million. Revenues from the CLP accounted for about 3 percent of DNR's revenues in 2005, while about 85 percent came from timber revenues. The 2006 evaluation identified 9 improved properties within the CLP.

Land Bank. DNR manages a state land bank. The land bank provides a mechanism used for the purchase, sale, and transfer of land that allows the department to replace less productive land with more productive land, while maintaining the trust land base. Lands held in the land bank may not exceed 1,500 acres.

Other DNR Land Management Authorities. DNR may exchange state lands for land of equal value for purposes including: to facilitate the marketing of forest products on state land; consolidate and block up state lands; acquire county-owned lands; and acquire certain urban properties. For the 2007-2009 biennium, DNR may exchange state lands for land and proceeds of equal value for the purpose of maintaining working lands and acquiring natural resource lands at risk of development.

In certain circumstances, DNR may dispose of or lease lands without public auction. These circumstances include transfers such as those to public agencies and transfers to resolve property disputes. DNR may only transfer such property for fair market value and in the best interest of the trust.

Summary of Bill (Recommended Substitute): Urban Commercial Properties. DNR may no longer acquire urban commercial properties, and must develop a long-term strategy to dispose of the nine existing urban commercial properties. DNR must provide a report to the Legislature by December 1, 2012, and every five years thereafter, on its progress disposing of the urban commercial properties.

The sale proceeds must be used to purchase working natural resources lands at risk of conversion or that will protect and enhance the value of existing trust land holdings and provide a comparable rate of return as the disposed lands. When acquiring lands at risk of conversion, DNR must evaluate the land value associated with natural resource management as well as for future development. DNR must provide this information to the Legislature by December 1, 2009, and every even year thereafter. Additionally, DNR must identify in its biennial budget request any added purchase costs associated with the development value of lands at risk of conversion.

DNR Land Management Authorities. Various changes are made to DNR's land management authorities, including:

- removing the authority to exchange lands for land of equal value in order to acquire certain urban properties;
- making permanent the authority to exchange state lands for land and proceeds of equal value for the purpose of maintaining working lands and acquiring natural resource lands at risk of development;
- authorizing leases to public agencies and the conveyance of currently leased home sites without public auction;
- specifying that the land bank be used to acquire property desirable for natural resource-based income; and
- providing generally that lands acquired through the land bank must be managed under the sustainable harvest plan, and specifically that certain lands at risk of conversation for which development rights have been transferred must be managed to at least 75 percent of the harvest under the sustainable harvest plan.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Clarifies that natural resource lands acquired to replace disposed commercial properties should provide a comparable rate of return.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Natural Resources, Ocean & Recreation): PRO: Commercial lands have historically provided about 2 percent of revenues from trust lands. It has been difficult to expand the commercial landholdings to the level necessary for full diversification due to the constraints on tools for trust land acquisition. The bill is an attempt to balance the state's fiduciary obligation to benefit the trusts with DNR's specific expertise in natural resources management. The bill ensures that the disposal of the urban commercial properties will occur based on an orderly investment strategy, and provides several useful management tools for this process. The policy behind the bill is sound, but there may be a few ways to improve the bill.

Persons Testifying (Natural Resources, Ocean & Recreation): PRO: Craig Partridge, DNR; Toby Thaler, citizen.

Staff Summary of Public Testimony on Substitute Bill (Ways & Means): PRO: Commercial lands have historically provided about 2 percent of revenues from trust lands. It has been difficult to expand the commercial landholdings to the level necessary for full diversification due to the constraints on tools for trust land acquisition. The bill is an attempt to balance the state's fiduciary obligation to benefit the trusts with DNR's specific expertise in natural resources management. The bill ensures that the disposal of the urban commercial

properties will occur based on an orderly investment strategy, and provides several useful management tools for this process.

OTHER: There should be a clarification that natural resource lands acquired with proceeds from the disposal of the commercial lands should provide a comparable rate of return.

Persons Testifying (Ways & Means): PRO: Craig Partridge, DNR.

OTHER: Ron Zier, Office of Superintendent of Public Instruction.